

City of West Point

**Independent Auditor's Report
Financial Statements and Supplementary Information
Independent Auditor's Report on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2009

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City of West Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul Walker	Mayor	January 4, 2010
Larry Buchholz	Council Member	January 4, 2010
Shawn Carlile	Council Member	January 4, 2010
Linda Kruse	Council Member	January 4, 2010
Bruce Wellman	Council Member	January 4, 2010
Mary K. Winnike	Council Member	January 4, 2010
Art White	City Administrator	Not Elected
Diane E Smith	City Clerk and Treasurer	Not Elected



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Independent Auditor's Report

Honorable Mayor and Members of City Council
City of West Point, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Point, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of West Point's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008 as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 6, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on pages 14 and 15 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's primary government financial statements. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Associates PC

January 6, 2010

BASIC FINANCIAL STATEMENTS

City of West Point
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2009

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 74,782	\$ -	\$ -	\$ -	\$ (74,782)	\$ -	\$ (74,782)
Public works	68,684	-	81,310	-	12,626	-	12,626
Culture and recreation	99,289	-	3,248	-	(96,041)	-	(96,041)
General government	94,127	3,743	-	-	(90,384)	-	(90,384)
Total governmental activities	<u>336,882</u>	<u>3,743</u>	<u>84,558</u>	<u>-</u>	<u>(248,581)</u>	<u>-</u>	<u>(248,581)</u>
Business type activities:							
Water service	136,657	155,545	-	-	-	18,888	18,888
Sewer service	141,583	118,514	-	-	-	(23,069)	(23,069)
Electric service	1,476,158	1,337,640	-	-	-	(138,518)	(138,518)
Total business type activities	<u>1,754,398</u>	<u>1,611,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,699)</u>	<u>(142,699)</u>
Total	<u>\$ 2,091,280</u>	<u>\$ 1,615,442</u>	<u>\$ 84,558</u>	<u>\$ -</u>	<u>(248,581)</u>	<u>(142,699)</u>	<u>(391,280)</u>
General Receipts:							
Property tax levied for:							
General purposes					151,954	-	151,954
Local option sales tax					53,290	-	53,290
Other city taxes					11,325	-	11,325
Unrestricted investment earnings					4,474	18,279	22,753
Miscellaneous					101,569	2,896	104,465
Total general receipts and transfers					<u>322,612</u>	<u>21,175</u>	<u>343,787</u>
Change in cash basis net assets					74,031	(121,524)	(47,493)
Cash basis net assets, beginning of year					<u>90,390</u>	<u>810,937</u>	<u>901,327</u>
Cash basis net assets, end of year					<u>\$ 164,421</u>	<u>\$ 689,413</u>	<u>\$ 853,834</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ (57,075)	\$ -	\$ (57,075)
Other purposes					19,449	-	19,449
Unrestricted					<u>202,047</u>	<u>689,413</u>	<u>891,460</u>
Total cash basis net assets					<u>\$ 164,421</u>	<u>\$ 689,413</u>	<u>\$ 853,834</u>

See notes to financial statements.

City of West Point
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2009

	General	Special Revenue Road Use	Other Nonmajor Governmental	Total
Receipts:				
Property tax	\$ 151,954	\$ -	\$ -	\$ 151,954
Other taxes	64,615	-	-	64,615
Use of money and property	3,510	-	964	4,474
License and permits	387	-	-	387
Intergovernmental	2,776	81,311	3,248	87,335
Miscellaneous	<u>93,403</u>	<u>-</u>	<u>8,745</u>	<u>102,148</u>
Total receipts	<u>316,645</u>	<u>81,311</u>	<u>12,957</u>	<u>410,913</u>
Disbursements:				
Operating:				
Public safety	74,782	-	-	74,782
Public works	7,218	61,466	-	68,684
Culture and recreation	94,089	-	5,200	99,289
General government	<u>94,127</u>	<u>-</u>	<u>-</u>	<u>94,127</u>
Total disbursements	<u>270,216</u>	<u>61,466</u>	<u>5,200</u>	<u>336,882</u>
Excess (deficiency) of receipts over disbursements	<u>46,429</u>	<u>19,845</u>	<u>7,757</u>	<u>74,031</u>
Net change in cash balances	46,429	19,845	7,757	74,031
Cash balances, beginning of year	<u>155,618</u>	<u>(76,920)</u>	<u>11,692</u>	<u>90,390</u>
Cash balances, end of year	<u>\$ 202,047</u>	<u>\$ (57,075)</u>	<u>\$ 19,449</u>	<u>\$ 164,421</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 202,047	\$ -	\$ -	\$ 202,047
Special revenue fund	<u>-</u>	<u>(57,075)</u>	<u>19,449</u>	<u>(37,626)</u>
Total cash basis fund balances	<u>\$ 202,047</u>	<u>\$ (57,075)</u>	<u>\$ 19,449</u>	<u>\$ 164,421</u>

See notes to financial statements.

City of West Point
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2009

	Enterprise Funds			
	Water Service	Sewer Service	Electric Service	Total
Operating receipts:				
Charges for services	\$ 155,545	\$ 82,988	\$ 1,337,640	\$ 1,576,173
Other taxes	<u>-</u>	<u>35,526</u>	<u>-</u>	<u>35,526</u>
Total operating receipts	<u>155,545</u>	<u>118,514</u>	<u>1,337,640</u>	<u>1,611,699</u>
Operating disbursements:				
Business type activities	<u>131,175</u>	<u>101,506</u>	<u>1,245,115</u>	<u>1,477,796</u>
Total operating disbursements	<u>131,175</u>	<u>101,506</u>	<u>1,245,115</u>	<u>1,477,796</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>24,370</u>	<u>17,008</u>	<u>92,525</u>	<u>133,903</u>
Non-operating receipts (disbursements):				
Interest on investments	213	-	18,066	18,279
Miscellaneous	-	-	2,896	2,896
Debt service	-	(38,350)	-	(38,350)
Capital projects	<u>(5,482)</u>	<u>(1,727)</u>	<u>(231,043)</u>	<u>(238,252)</u>
Net non-operating (receipts) disbursements	<u>(5,269)</u>	<u>(40,077)</u>	<u>(210,081)</u>	<u>(255,427)</u>
Excess of receipts over disbursements	19,101	(23,069)	(117,556)	(121,524)
Operating transfers in (out)	<u>(10,500)</u>	<u>-</u>	<u>10,500</u>	<u>-</u>
Net change in cash balances	8,601	(23,069)	(107,056)	(121,524)
Cash balances, beginning of year	<u>(131,435)</u>	<u>43,425</u>	<u>898,947</u>	<u>810,937</u>
Cash balances, end of year	<u>\$ (122,834)</u>	<u>\$ 20,356</u>	<u>\$ 791,891</u>	<u>\$ 689,413</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ (122,834)</u>	<u>\$ 20,356</u>	<u>\$ 791,891</u>	<u>\$ 689,413</u>
Total cash basis fund balances	<u>\$ (122,834)</u>	<u>\$ 20,356</u>	<u>\$ 791,891</u>	<u>\$ 689,413</u>

See notes to financial statements.

City of West Point
Notes to Financial Statements

Note 1. Significant Accounting Policies

The City of West Point is a political subdivision of the State of Iowa located in Lee County. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation and general government services. The City also provides water, sewer, and electricity utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of West Point (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City is significant.

Excluded Component Units

The West Point Public Library Foundation (Foundation) is a component unit of the City of West Point. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the West Point area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of West Point Public Library Foundation have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: West Point Municipal Utility Board, Iowa Sesquicentennial Commission, Waste Management Fee Appeals Board, Lee County PSAP Association and the West Point/St. Paul Fire Association.

City of West Point
Notes to Financial Statements

Note 1. Significant Accounting Policies (continued)

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported as general receipts instead.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electrical system.

City of West Point
Notes to Financial Statements

Note 1. Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The City of West Point maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, no disbursements exceeded the amounts budgeted.

Subsequent Events

The City performed an evaluation of subsequent events through January 6, 2010. The subsequent events have been disclosed in Note 11.

Note 2. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$20,372, equal to the required contribution.

City of West Point
Notes to Financial Statements

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds				Revenue Bonds		Total	
	General Obligation Bond		Land Loan		Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest				
2010	\$ 14,000	\$ 4,177	\$ -	\$ 1,724	\$ 19,000	\$ 5,539	\$ 33,000	\$ 11,440
2011	14,000	3,542	57,000	1,710	19,000	4,676	90,000	9,928
2012	15,000	2,906	-	-	20,000	3,813	35,000	6,719
2013	16,000	2,225	-	-	20,000	2,905	36,000	5,130
2014	16,000	1,498	-	-	22,000	1,997	38,000	3,495
2015	17,000	772	-	-	22,000	999	39,000	1,771
	-	-	-	-	-	-	-	-
	<u>\$ 92,000</u>	<u>\$ 15,120</u>	<u>\$ 57,000</u>	<u>\$ 3,434</u>	<u>\$ 122,000</u>	<u>\$ 19,929</u>	<u>\$ 271,000</u>	<u>\$ 38,483</u>

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund.

Revenue Bond

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the revenue bond. The bond was issued June 1995. Proceeds from the notes provided financing for the construction of several sewer system projects. The note is payable solely from sewer customer net receipts and is payable through 2015. The total principal and interest remaining to be paid on the notes is \$141,929. For the current year, principal and interest paid and total customer net receipts were \$22,200 and \$17,008, respectively.

The resolution providing for the issuance of the sewer revenue bond include the following similar provisions:

- (a) The bond will only be redeemed from the future earnings of the enterprise activity and that the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly cash transactions shall be made to separate revenue bond retirement accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly cash transfers equal to a sum of one-twelfth of the principal of the Revenue Bond maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sinking Fund for the purpose of making bond interest and principal payments when due.
- (d) Funds remaining in the sewer account after payment of expenses and required transfers shall be placed in the Surplus Fund. As long as the Sinking Fund has the required amount, the Surplus Fund may be available to the City and charged to operations of the City.

At June 30, 2009, the City had not established the aforementioned Sinking Fund account as required in the sewer bond resolution.

City of West Point
Notes to Financial Statements

Note 4. Cash and Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or the agent of the City in the City's name.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2009, primarily relating to the General Fund is \$18,115 based on rates of pay in effect at June 30, 2009.

Note 6. Risk Management

The City of West Point is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Related Party Transactions

The City had no business transactions between the City and current City officials or employees during the year ended June 30, 2009.

City of West Point
Notes to Financial Statements

Note 8. Commitments

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City are as follows:

Electric substation improvements	\$ 365,000
South park subdivision development	325,000
Pickup truck replacement	19,000
Lift station pump	6,500
J40 interchange right-of-way	12,000
Avenue H paving	<u>11,418</u>
	<u>\$ 738,918</u>

Note 9. Deficit Fund Balance

The Road Use fund and Water Service Utility Funds had deficit balances of \$57,075 and \$122,834, respectively. These deficit balances were a result of project costs incurred prior to availability of funds and failure to transfer funds at the appropriate times.

Note 10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to:	
Electric Service	\$ 10,500
Transfer from:	
Water revenue	\$ 10,500

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 11. Subsequent Events

Two lines of credit were issued by the City after year end. One for City activities for \$325,000, maturity date of July 30, 2010 and one for Utility activities for \$450,000, maturity date February 1, 2010. Draw downs on the two lines of credit total \$450,000 as of date of this report.

The City has settled a wrongful termination agreement with the former police chief for \$38,000.

City of West Point
Notes to Financial Statements

Note 12. Prospective Accounting Change

The GASB has issued a statement not yet implemented by the City of West Point. The statement, which might impact the City of West Point, is as follows:

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City for the fiscal year ending June 30, 2010. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities or assets, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The City's management has not yet determined the effect this statement will have on the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of West Point
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 151,954	\$ -	\$ -	\$ 151,954	\$ 149,818	\$ 149,818	\$ 2,136
Other city taxes	64,615	-	-	64,615	54,547	54,547	10,068
Use of money and property	4,474	18,279	-	22,753	4,700	4,700	18,053
Licenses and permits	387	-	-	387	2,950	2,950	(2,563)
Intergovernmental	87,335	-	-	87,335	88,496	88,496	(1,161)
Charges for service	-	1,576,173	-	1,576,173	1,763,021	1,763,021	(186,848)
Special assessments	-	35,526	-	35,526	-	-	35,526
Miscellaneous	102,148	2,896	-	105,044	14,919	14,919	90,125
Total receipts	<u>410,913</u>	<u>1,632,874</u>	<u>-</u>	<u>2,043,787</u>	<u>2,078,451</u>	<u>2,078,451</u>	<u>(34,664)</u>
Disbursements:							
Public safety	74,782	-	-	74,782	93,795	93,795	19,013
Public works	68,684	-	-	68,684	98,290	98,290	29,606
Culture and recreation	99,289	-	-	99,289	102,418	102,418	3,129
General government	94,127	-	-	94,127	94,131	104,131	10,004
Debt service	-	-	-	-	1,710	1,710	1,710
Business type activities	-	1,754,398	-	1,754,398	1,688,107	1,878,107	123,709
Total disbursements	<u>336,882</u>	<u>1,754,398</u>	<u>-</u>	<u>2,091,280</u>	<u>2,078,451</u>	<u>2,278,451</u>	<u>187,171</u>
Excess (deficiency) of receipts over disbursements	74,031	(121,524)	-	(47,493)	-	(200,000)	152,507
Other financing sources	-	-	-	-	-	200,000	(200,000)
Net change in cash balances	74,031	(121,524)	-	(47,493)	-	-	(47,493)
Cash balances, beginning of year	<u>90,390</u>	<u>810,937</u>	<u>-</u>	<u>901,327</u>	<u>892,115</u>	<u>892,115</u>	<u>9,212</u>
Cash balances, end of year	<u>\$ 164,421</u>	<u>\$ 689,413</u>	<u>\$ -</u>	<u>\$ 853,834</u>	<u>\$ 892,115</u>	<u>\$ 892,115</u>	<u>(38,281)</u>

See accompanying independent auditor's report.

City of West Point
Notes to Required Supplementary Information - Budgetary Reporting

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$200,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

City of West Point
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009

	<u>Library Funds</u>	<u>Safe Play</u>	<u>Tree Committee</u>	<u>Total</u>
Receipts:				
Use of money and property	\$ 938	\$ 5	\$ 21	\$ 964
Intergovernmental	3,248	-	-	3,248
Miscellaneous	<u>7,745</u>	<u>-</u>	<u>1,000</u>	<u>8,745</u>
Total receipts	<u>11,931</u>	<u>5</u>	<u>1,021</u>	<u>12,957</u>
Disbursements:				
Culture and recreation	<u>4,480</u>	<u>-</u>	<u>720</u>	<u>5,200</u>
Total disbursements	<u>4,480</u>	<u>-</u>	<u>720</u>	<u>5,200</u>
Excess (deficiency) of receipts over disbursements	<u>7,451</u>	<u>5</u>	<u>301</u>	<u>7,757</u>
Net change in cash balances	7,451	5	301	7,757
Cash balances, beginning of year	<u>8,823</u>	<u>578</u>	<u>2,291</u>	<u>11,692</u>
Cash balances, end of year	<u>\$ 16,274</u>	<u>\$ 583</u>	<u>\$ 2,592</u>	<u>\$ 19,449</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	<u>\$ 16,274</u>	<u>\$ 583</u>	<u>\$ 2,592</u>	<u>\$ 19,449</u>
Total cash fund balances	<u>\$ 16,274</u>	<u>\$ 583</u>	<u>\$ 2,592</u>	<u>\$ 19,449</u>

See accompanying independent auditor's report.

**City of West Point
Statement of Indebtedness
Year Ended June 30, 2009**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds:									
Sewer improvement	06/30/95	3.00 %	\$ 246,467	\$ 105,000	\$ -	\$ 13,000	\$ 92,000	\$ 3,150	\$ -
Pilot Grove Savings Bank	11/28/05	3.00 %	57,000	<u>57,000</u>	<u>-</u>	<u>-</u>	<u>57,000</u>	<u>1,715</u>	<u>-</u>
Total				162,000	-	13,000	149,000	4,865	-
Revenue bond:									
Sewer revenue bond	06/30/95	3.00 %	322,533	<u>140,000</u>	<u>-</u>	<u>18,000</u>	<u>122,000</u>	<u>4,200</u>	<u>-</u>
Total indebtedness				<u>\$ 302,000</u>	<u>\$ -</u>	<u>\$ 31,000</u>	<u>\$ 271,000</u>	<u>\$ 9,065</u>	<u>\$ -</u>

See accompanying independent auditor's report.

**City of West Point
Bond and Note Maturities
June 30, 2009**

General Obligation Bonds:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	Sewer Improvement Bond June 30, 1995 <u>Amount</u>	Interest <u>Rate</u>	Land Pilot Grove Saving Bank Nov 28, 2005 <u>Amount</u>	<u>Total</u>
2010	3.00%	\$ 14,000	3.00%	\$ -	\$ 14,000
2011	3.00%	14,000	3.00%	57,000	71,000
2012	3.00%	15,000		-	15,000
2013	3.00%	16,000		-	16,000
2014	3.00%	16,000		-	16,000
2015	3.00%	<u>17,000</u>		<u>-</u>	<u>17,000</u>
		<u>\$ 92,000</u>		<u>\$ 57,000</u>	<u>\$ 149,000</u>

Revenue Bond:

Year Ending <u>June 30,</u>	Interest <u>Rate</u>	Sewer Revenue June 30, 1995 <u>Amount</u>
2010	3.00%	\$ 19,000
2011	3.00%	19,000
2012	3.00%	20,000
2013	3.00%	20,000
2014	3.00%	22,000
2015	3.00%	<u>22,000</u>
		<u>\$ 122,000</u>

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and
Members of the City Council

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Point, Iowa (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 6, 2010. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

January 6, 2010

**City of West Point
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part I: Findings Related to the Financial Statements

MATERIAL WEAKNESSES

- I-A-09 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of West Point. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

- I-B-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**City of West Point
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part II: Other Findings Related to Statutory Reporting

II-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

II-B-09 Questionable Disbursement - A certain disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Brad's Pad	Luncheon	\$ 57

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions - No business transactions between the City and city officials or employees were noted.

II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**City of West Point
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

- II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- Although minutes of the Council proceedings were published, they were not always published within 15 days and did not include total disbursements from each fund, a list of all claims allowed and a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.
- Recommendation - The City should comply with the Code of Iowa and publish minutes in a timely manner and include total disbursements from each fund, a list of all claims allowed and a summary of all receipts.
- Response - Although we attempt to furnish the local paper the minutes in a timely manner, a weekly paper cannot always meet the requirements as stated above. We will include total disbursements from each fund, a list of all claims allowed and a summary of all receipts.
- Conclusion - Response accepted.
- II-G-09 Bonds and Revenue Notes - The City has not established the sinking fund account as required by the sewer revenue bond resolution.
- Recommendation - The City should establish this account and make the required transfers.
- Response - We have the required monies set aside to fulfill the sinking fund account requirements, but did not specify these funds to be for the sinking fund account. We will designate these funds as required by the resolution.
- Conclusion - Response accepted.
- II-H-09 Deposits and Investments - During the audit it was discovered the City does not have a written investment policy that complies with the provision of Chapter 12B.10B of the Code of Iowa.
- Recommendation - The City should adopt a written investment policy that complies with the provision of Chapter 12B.10B of the Code of Iowa.
- Response - We will consider this.
- Conclusion - Response accepted.
- II-I-09 Financial Condition - At June 30, 2009, the Road Use fund and the Water Service utility fund had a deficit balance of \$57,075 and \$122,834, respectively.
- Recommendation -The City should monitor the progress of the collections and expenses in these funds and review the control procedures throughout the period so the collections cover the expenses in these funds. Transfers should be made to restore these funds to a financially sound basis.
- Response - We will consider this.
- Conclusion - Response accepted.

**City of West Point
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

- II-J-09 Payment of General Obligation Bonds - Certain general obligation bonds were paid from the Sewer Service funds. Chapter 384.4 of the Code of Iowa states in part that "monies pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund. The City failed to maintain a Debt Service Fund.
- Recommendation - The City should maintain a Debt Service fund and payments of the general obligation debt should be disbursed from that fund.
- Response - We will consider this.
- Conclusion - Response accepted.
- II-K-09 Canceled Checks- The City does not receive both front and back electronically retained check images as required per Chapter 554D.114(5) of the Code of Iowa.
- Recommendation - The City should receive both front and back electronically retained check images as required per Chapter 554D.114(5) of the Code of Iowa.
- Response - We will do this.
- Conclusion - Response accepted.